



Financial Management Systems Improvement Council
Meeting Notes
Baltimore Holiday Inn Inner Harbor
Baltimore, MD
November 14, 2000

Attendees: Tom Baranouskas-PNNL, Ralph Bonner-SNL, Jim Campbell-DOE-HQ, Bruce Chrisman-Fermilab, Nancy Fitchpatrick-DOE-OR, Jim Herring-LANL, Jim Lopez-LLNL, Brian Morishita-INEEL, Dean Olson-DOE-AL, Paul Rosenkoetter-INEEL, Ron Ragland-BWXT Y-12, Brian Sack, BNL

Not present: Paul Grefenstette, WSRC

Guests: Gary Concannon-SNL, Valerie Homan-BWXT Y-12, Mark Israel- BNL, Phil Schultz

Ralph Bonner:

Introduced Nancy Fitchpatrick of DOE-OR to the Council.

Jim Campbell:

NNSA Update - Defense Programs Budget Structure

- In FY 2001 Defense Programs Implemented a Comprehensive New Budget Structure
 - Provides a More Descriptive Account Structure
 - Collaborative Effort with Labs, NV, and AL
 - DOE, OMB, and Congress Approved the Structure
- CFO Discovered Inconsistency in Budget Formulation
 - Labs Distributed Indirects to all Activities
 - Production Facilities Included all Indirects in RTBF
 - Beginning in November, 2000 CFO raised Serious Concerns with Compliance with CAS, Federal Accounting Standards, and Impact on Audited Financial Statements
 - Meeting Held in Washington on January 20, 2000 - Resolution and Path Forward
- DP Issued Guidance to Adjust the Budget on March 31
 - Included Refined Definition of RTBF

- Operations of Facilities Line
- Directed Consistent Treatment of Indirects
- Spring, 2000 -Field Made “Accounting Adjustments” as well as “Definitional Adjustments”
- Definitional Adjustments Realigned Tasks Based Upon Better Definitions
- Adjustments Never Formally Communicated to Congress
- Summer 2000 - Congress Marked Up Budget as Originally Submitted
- Accounting and Definitional Adjustments Not Incorporated
- Safeguards and Security Amendment Not Incorporated
- Problems Exacerbated by Establishment of Lower Level Congressional Control
- Congress Also Imposed General Reductions and Use of Prior Year Balances and Requested All of These be Distributed and Appropriations Committees Notified by January 15, 2000
- CFO Community Continued to Express Major Concerns with CAS and Potential for Massive Reprogrammings
- Sept/Oct. 2000 - Field Again Requested to Make Accounting and Definitional Adjustments
- DP Distributed Safeguards and Security, General Reductions, and Use of Prior Year Balances
- Accounting (\$236 million) and Technical (\$116 million) Adjustments Allocated by Site
- Based on Final Congressional Action and Application of all Reductions
- October/November 2000, House and Senate Appropriation and Authorization Committees Briefings
- Explained Iterative Development of Budget Structure
- Require Approval of Final Adjustments Imperative for Proper Execution
- Make Corrections to Ensure Clean Audit Opinion and Accurate Financial Reports
- Establish Appropriate Baseline for FY 2002
- Notification Letter to Appropriations/Authorizations Committees Being Prepared to Announce Department’s Intent to Make All Adjustments - As Hill Appeared Favorably Disposed to Proposed Changes, Approval Expected
- For Re-prioritizing Programs or Significant Changes in Work Scope, Reprogramming Necessary.
- This would fall under the new PAIN Process

- Lessons Learned - Better Coordination Needed Between Accounting, Program, and Budget Communities

Other NNSA Activities

- September 26, 2000 - Deputy Secretary Announces Additional Field Restructuring to Eliminate “Dual Hatting” of Employees
 - Oakland Operations Office Becomes Part of NNSA - Operations Office Manager and Staff, Except Those Who Work Exclusively on non-NNSA Programs designated as NNSA Employees, Berkeley and Stanford Site Offices Report to Office of Science
 - Area Office Established at Oak Ridge With Responsibility for Operation of Y-12
 - Area Office established at Savannah River for the NNSA Operations at the SR Site
 - Chicago - Plutonium Disposition Group Reports to SR NNSA Area Manager
 - Albuquerque - WIPP Elevated to Field Office and Reports to EM
 - Field Office Continues to Provide “Administrative, Legal, and Contract Support” to Area Offices
- September 11, 2000 - Defense Programs to take on responsibility for approving and signing the final performance evaluation reports and laboratory appraisal reports. and for approving and signing the final fee awards for its contractors
- October 13, 2000 - Deputy Administrator for Defense Programs Appoints Ralph Erickson as Acting Chief Operating Officer. Bob Degrasse Assumed Position of Chief Operating Officer for the NNSA
- October 12, 2000 - Administrator NNSA Announces One of his Highest Priorities is to Strengthen the NNSA Planning, Programming, and Budgeting Systems (PPBS). Also, a Strategic Plan to be Developed Not Later than January 2001 to use as Basis for FY 2003 - 2007 Program and Budget
- FY 2002 Budget Preparation Slower than normal Due to Transition in Administration. Expect Finality on NNSA Budget by Thanksgiving.

Safeguards and Security

Background

- Summer 1999 - Deputy Secretary Announced Safeguards and Security to be Separately Identified and Funded as A Direct Program in FY 2001 Under Office of Security Operations
- October 20, 1999 - CFO Issued Guidance to Departmental Elements to Identify S&S Funding by program and Activity for the EWD and Interior Appropriations.

- Guidance Also Requested Development of Estimates of Amount of S&S Costs to be Recovered from WFO Customers.
- Winter, 1999/2000 - Departmental Elements Performed Extensive Analyses and Submitted Revised Budget Information
- May 2000 - Department Submitted an FY 2001 Budget Amendment to Establish S&S as a Direct Program. Amendment Included S&S in Seven Appropriations with no one Site (Other Than ID and SR) Receiving Funding in More Than One Account.
- Amendment Identified Contributions From WFO of \$40 Million.
- Initial Approved Funding Programs Issued in mid-September Reflected Realignment of S&S as a Direct Program
- Unique Series of B&Rs (FS) Established to Ensure S&S Activities Readily Identified

Congressional Action

- President Signed Interior Bill on October 11, 2000. Did Not Adopt the S&S Amendment
- President Signed the EWD Bill on October 27, 2000. EWD Adopted the S&S Budget Amendment, Assigned Execution Responsibility to Line Management, Instructed the Department to Seek Full Funding for S&S in FY 2002, Including Portion Associated with WFO
- EWD Committee Conference Action on September 27, 2000, provided specific authority to charge WFO-related S&S costs to the Cost of Work for Others Program in the DA Appropriation pending eventual reimbursement by the WFO sponsor.

Headquarters Draft Guidance of 10/17/00

- Activities Funded Through Interior Appropriations
 - Continue to Administer S&S as an Indirect Program - Includes NETL, SPRO, and NREL
 - Funding Provided in FS B&Rs in Initial AFPs to be Withdrawn
- Activities Funded Through EWD Appropriations
 - "FS" Series of B&Rs to be Used to Fund S&S Program Activities Effective October 1, 2000
 - Direct S&S Funding Represents Firm Limitation to Fund Programs At the Specified Level
 - S&S Costs Constrained to Direct Funding Provided

- Unforeseen FY 2001 Requirements to be Addressed Through Cognizant PSO for Funding to Rectify Problem. If not, Reprogramming May be Required
- S&S Amendment Identified Estimate of \$40 Million to be Recovered from WFO Representing Their Share of S&S Costs. Reflected as an Offset to the Four EWD Appropriations Funding S&S Activities in FY 2001
- To Help Minimize the Timing Lag Between Cost Incurrence and Recovery from WFO Customers, EWD Committee Provided Specific Authority to Charge WFO Related S&S Costs to Cost of Work for Others Program in DA Appropriation Pending Reimbursement from WFO Customer
- WN Funding Issued in November AFPs to Field Offices Based on Amounts Reported in the FY 2001 Budget Amendment
- Field Received FS Funding in Four Appropriation Accounts and WN Funding in DA
- Field Offices have Flexibility to Allocate WN Funding Among Contractors as Needed During Year. Should not obligate all WN Funding to Contractors Immediately, but Manage Funds Throughout Year to Ensure Revenues Realized from WFO Customers to Offset WN Program Costs
- As with Direct Program, S&S Activities Constrained to Level of Funding in AFP. If WN Insufficient to Cover WFO Appropriate Share, Field Must Consult with Budget to Obtain Additional WN Funding
- All WFO-Related S&S Costs Must be Reported in WN, NOT Programs 40, 60, and 65
- SO Advised that Amount of Funding that Would have Been Provided by Interior Funded Programs if Funded Direct Was Included in EWD's Appropriation Mark. Hence, Inappropriate to Charge Interior Funded Programs Again.

General Accounting

- Each Contractor Must Establish a Rate to Recover Appropriate Share of S&S Costs from WFO
- Care Must be Taken to Ensure Neither Funds Appropriated to the Department nor WFO Funds Bear a Disproportionate Share of S&S Costs
- No S&S Costs may be Allocated to any Departmental Program Other Than Specifically Funded for S&S Activities
- New B&Rs (WN-05) Established to Record WFO Share of S&S an (ZN-05) to Record Offsetting S&S Revenues in DA Appropriation

Budget Results Council Meeting of September 28, 2000

The following topics were covered:

- Status of the Budget
- B&R Reporting Structure for Capital Equipment and GPP
- Financial Management Training
- BMIS
- Safeguards and Security

- Improving the Reprogramming Process
- CFO Community/HQ-funded Interns/Rotational Assignments
- Laboratory Funding Plans
- NNSA: Current Issues and Concerns
- Contractor Travel
- Independent Centers
- Studying the use of EM's IPABS system as a standardized Departmental Budget Formulation System
- FMSIC/BRC Annual Conference
- Decisions on next steps were put off until a follow-on conference call, which took place on October 25. In that call, the BRC decided to take several actions, most notably the following:

Contractor Travel

- Develop ways to better administer the ceiling to ensure full necessary use

Reprogramming

- Send out the new draft DOE Order for comment

Jim Lopez:

IWO

With the raising of the threshold from \$100K to \$250K no further action is required on FMSIC's part.

Ralph Bonner:

BMIS FM

- Difficulty with getting more people involved with this project and (2) it was recognized that the Council needs to provide alternatives to the BMIS FM project management to whatever that which the Council disagrees with.
- All Council members are BMIS FM points of contact for their respective areas.
- Thanks was given to Gary Concannon, Valerie Homan and Mark Israel for leading the contractor BMIS FM teams.

ACTION: Ralph will send a letter to all of the major non-participating contractors soliciting their participation.

Brian Morishita:

FMSIC/BRC Annual Conference

List of presenters/topics include:

- Jeannie Wilson
- BMIS FM (Michael Fraser)
- DOE-CFO
- Best Practices (e.g. eprocurement)

- Planning modules
- NNSA
- Kathy Peroff
- Sally Ann Harper
- Jeff Smith
- Functional Cost Training

ACTION: Jim Campbell will contact Kathy Peroff and Jeannie Wilson and will also coordinate the CFO and BMIS FM presenters. Brian Morishita will issue a call for presenters and contact Sally Ann Harper and will arrange for the functional cost training. Marty Conger will contact Jeff Smith.

Ralph Bonner:

Jim Martin's Replacement

- Announced that Jim Martin has accepted another position with DOE and that he has resigned from FMSIC. It was agreed that Jim would be replaced by another DOE field office person.

ACTION: Jim Campbell will designate a replacement for Jim Martin.

Next FMSIC Meeting

- Arlington, VA, March 6, 2001, Arlington Hilton and Towers.

Teleconference Calls

- Possible teleconference calls on the overhead reviews and the need for people to assist BMIS FM.